TOP SECRET [redacted]

DIRECTORATE OF INTELLIGENCE

SPOT COMMENTARY

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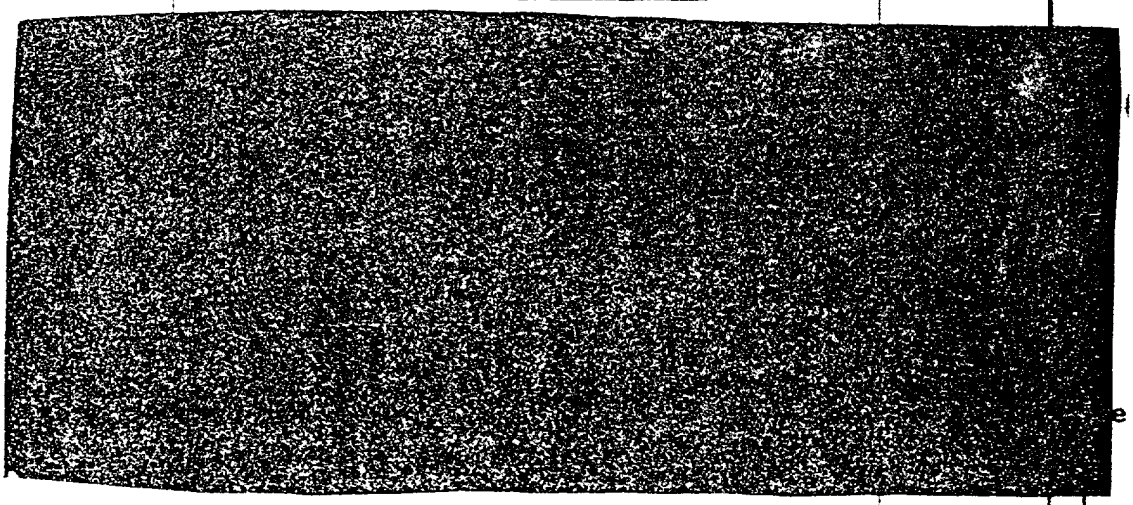

Political Developments

Reaction to Iraqi Initiative

Most governments around the world are waiting for further information on Iraq's initiative before issuing formal statements. However, some preliminary reactions already have been issued in press:

- Soviet President Gorbachev expressed "satisfaction and hope" over the Iraqi proposal. A Soviet UN official, who stressed he was speaking for himself only, later commented that he thought the Iraqi initiative was a "propaganda ploy."
- Britain said Iraq's offer contained "unacceptable conditions."
- The French foreign ministry said the Iraqi announcement should be accompanied by "formal arrangements and a timetable."
- The Jordanian government welcomed the initiative and called for "the belligerents in the Gulf war to respond favorably."
- The Japanese foreign minister said "there are too many conditions" to Iraq's initiative.
- The PLO issued a statement in support of the Iraqi move.
- The Chairman of the Israeli Knesset Foreign Affairs and Defense Committee labeled the Iraqi proposal a "gimmick."

- India welcomed the initiative and called for a halt in allied bombing. Indian Prime Minister Chandra Shekhar also called on Iraq to announce a timetable for its withdrawal.

- GCC Secretary General Bishara announced he was "very skeptical" of Iraq's offer and called upon the world not to accept Iraqi gimmicks.

Oil Market Reaction

Oil prices dropped in response to Baghdad's announcement, although the reaction was stronger in Europe than in the United States. In Europe, the spot price for North Sea Brent fell nearly $2, closing at $18.60 per barrel--the lowest level since last July. In the United States, as of noon today the spot price for West Texas Intermediate had fallen by 90 cents to $21.30 per barrel and remains higher than prices during last week.

No Non-Aligned Peace Plan

The 14 February Non-Aligned Movement (NAM) ministerial did not adopt a specific peace plan to resolve the Gulf crisis, according to the US Embassy in Jakarta. The NAM decided instead to send delegations to several capitals to search for ways to begin a dialogue after consulting first with the United States, the Kuwaitis, and the EC. All the NAM ministers agreed that Iraq must withdraw from Kuwait.

European Reaction to Civilian Bomb Casualties

Statements by the government of Spanish Prime Minister Gonzalez and by Italian Defense Minister Rognoni, as well as a joint announcement from Italian Socialist and Communist party leaders, called for an end to the bombing of cities.

Comment: Neither the Spanish nor the Italian government is likely to alter its support for the multinational coalition, and the tone of their remarks appears largely designed for domestic consumption, where backing for the war is shaky.

Israeli Public Supports Restraint

A Gallup poll taken in Israel Wednesday shows that 80 percent of the Israeli public supports continued restraint toward Iraq. Of those polled, 73 percent proposed a cease-fire between Iraq and coalition forces predicated on an Iraqi agreement to withdraw from Kuwait. [redacted]

Comment: The high level of Israeli public support for Prime Minister Shamir's policy of restraint contrasts sharply with Defense Minister Arens's comments in Washington that it is difficult for Israel to remain on the sidelines of the Persian Gulf war. Public opinion, combined with Shamir's solid Knesset majority, gives him latitude in determining whether or when Israel will retaliate despite continuing pressure to strike back from some senior military leaders and hardline cabinet ministers. [redacted]

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